



## **Part 1: News Analysis**

### **Issue 25 (2008)**

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Russia's gas monopoly Gazprom failed to reach a deal with Turkmenistan on future gas prices again this week, sparking concerns about the effect on prices for Ukraine and other Gazprom customers elsewhere in Europe. Despite CEO Alexei Miller's repeated claims to the press that his company "represented the best terms" to Turkmenistan, Deputy Board Chair Valeriy Golubev was unable to obtain an agreement on reaching market prices for gas in 2009. Turkmen state media provided sparse coverage of "ongoing discussion about strategic partnership." Sources within Gazprom and industry analysts told Russia's *Nezavisimaya gazeta*, however, that they expect talks to drag on at least to the end of the year, if not early 2009.

The company is caught between a rock and a hard place, since it must set a price for Turkmen gas that is higher than the current US \$150 per 1,000 cubic meters established in 2007, yet still favorable to Gazprom for resale to Europe. The Russian company faces perennial difficulties negotiating with Ukraine – both a major gas consumer as well as an important transit country – which is currently paying a rate of US \$179.50 and is being pressured to pay more next year.

Seeking to safeguard its Central Asian gas advantage by other means, Russia is accelerating plans with both Turkmenistan and Kazakhstan to build a Caspian shore pipeline, first proposed by President Berdymukhamedov last year. The inaugural tripartite working group convened in Ashgabat this week, but by week's end had not signed a final agreement to start construction.

Keeping all its options open, Turkmenistan also hosted a Turkmen-Azerbaijani economic forum this week, and President Berdymukhamedov met with Emil Mejidov, director of the investments and export promotion fund of the Ministry of Economic Development of Azerbaijan. Hungarian and South Korean delegations also visited Turkmenistan to discuss possible gas and oil projects.

Yet buried in the typically upbeat quarterly statistics delivered at a routine cabinet meeting is one figure that causes concern about Turkmenistan's ability to meet all its mounting export obligations: gas production declined by 7.4 percent compared to the previous year. No commentary was made about the decrease, or about other indications of consumer hardships on the horizon such as a 40 percent drop in cereal production and the loss of livestock due to the unusually cold weather.

Turkmenistan continued to step up cooperation with the UN, as President Berdymukhamedov received Amb. Jenca, the head of the new UN Preventive Diplomacy Centre for Central Asia, and also worked with UN agencies to prepare a new five-year development plan that includes democratization and strengthening the rule of law as well as support for health, education, and welfare systems and fighting drug trafficking. Turkmenistan also participated in an international conference on Afghanistan, announcing plans for continued support of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline.

In what could be viewed as an effort to raise morale after past dictator Saparmurat Niyazov's dismantling of Turkmenistan's education and research potential, the president instituted a new Science Day to laud the triumphs of Turkmenistan's struggling scientists. Yet while handing out awards and celebrating the country's first remote eye operation, the president exhorted the scientists to apply their knowledge and research to the state's priority industries such as gas and oil, and to help showcase reforms in health.

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### 1. INTERNATIONAL RELATIONS

#### a. Russia's Gazprom in Ashgabat for Gas Price Talks

**Original title:** Turkmen-Russian Talks in Ashgabat

**Source:** Official government website/Turkmen State News Agency (TDH)/06/18/08. Excerpt by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=1&id=080618d>

Excerpt: A Gazprom delegation led by Valeriy Golubev, deputy chairman of the board, travelled to Ashgabat to discuss the terms of Turkmen natural gas export to the Russian Federation in 2009.

During talks with high-ranking Turkmen officials, Russian businessmen discussed the issues of further development of mutually advantageous cooperation in the gas sector in the framework of the 25-year intergovernmental agreement.

[Passage omitted: on previously agreed price rise to US \$130 per thousand cubic meters for first half of 2008 and \$150 for second half, after which prices would go to market levels in 2009.]

Emphasizing that the fulfillment of mutual obligations remained a crucial factor for intensifying traditional Turkmen-Russian partnership, the two parties specified short-term plans, parameters and potential fields of strategic partnership based on the existing great potential.

Opportunities for joint activity for exploring and prospecting oil and gas deposits and modernizing the pipeline system, in particular constructing the Caspian gas pipeline, of strategic significance for the participating countries, were a focus of the talks as well.

#### b. Gazprom Stuck in Turkmenistan: Russian Analysts

**Original title:** Gazprom Stuck in Turkmenistan

**Source:** *Nezavisimaya gazeta*/ng.ru/06/19/08. Translation and excerpt by OSI Turkmenistan Project

**Full version:** [http://www.ng.ru/economics/2008-06-19/6\\_gazprom.html](http://www.ng.ru/economics/2008-06-19/6_gazprom.html)

Synopsis: For the second time this month, Gazprom executives have failed to settle on a market price for Turkmen gas, and may not reach agreement until early next year, *Nezavisimaya gazeta* (ng.ru) reported. State-run Turkmen television remarked only briefly about the parties discussing "the possible directions of strategic partnership," but ng.ru cites unnamed sources within Gazprom who say the results of the talks

remain uncertain. In fact, according to the report, an agreement may not be reached until late 2008 or early 2009. This could have a knock-on effect on Russia's often-contentious gas dealings with Ukraine and ultimately impact energy security for Europe as a whole.

Mikhail Zanozin, an expert on regional gas and oil issues for Sobinbank interviewed by ng.ru, said that negotiations could drag on until next year, and affect other customers in the supply chain. Kiev is currently paying US \$179.50 per 1,000 cubic meters (cm) of gas, a price Gazprom protests as too low and wants to raise next year.

Timur Khayrullin, a senior analyst on the gas and oil sector for Antanta-Capital, told ng.ru that Turkmenistan will drive a hard bargain even with the Russian monopolist Gazprom, as it wishes to diversify its exports. But the price for Turkmenistan is key to Russia's regional plans, according to Khayrullin. "By promising to move to an average European [price] level, [Gazprom] loses the opportunity to deliver Central Asian gas to Russia, where fuel is still cheaper. However, a move to completely market prices is not in Gazprom's interests, since it can't earn a profit on resale of gas, and therefore it is trying to obtain the maximum discount for itself. In the end, in order to preserve its own control over the vast regions of Central Asia, it will have to knock out rivals such as China, India, or what's more important, Europe," he said.

### **c. Azerbaijani Business Delegation in Ashgabat**

**Original Title:** Azerbaijani Businessmen Bring Specific Cooperation Proposals to Ashgabat

**Source:** [turkmenistan.ru/06/16/08](http://turkmenistan.ru/06/16/08). Synopsis by OSI Turkmenistan Project

**Full version:** [http://www.turkmenistan.ru/?page\\_id=3&lang\\_id=en&elem\\_id=13001&type=event&sort=date\\_desc](http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=13001&type=event&sort=date_desc)

**Synopsis:** The first Turkmen-Azerbaijani economic forum opened in Ashgabat on June 15, organized by the chambers of commerce of both countries, and attended by some 100 business people and government officials, [turkmenistan.ru](http://turkmenistan.ru) reported. The Azerbaijani companies brought proposals to supply equipment for the oil, gas, and petrochemical industries, various construction materials, farm equipment, food and consumer products, and printing materials. The delegation is to meet with a number of ministries and enterprises in Turkmenistan.

### **d. President Receives Azerbaijani Business Delegation**

**Original Title:** President of Turkmenistan Receives the Head of the Azerbaijani Business Delegation

**Source:** Official Turkmen government website/06/18/08.. Synopsis by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=1&id=080618c>

**Synopsis:** President Berdymukhamedov received Emil Mejidov, director of the investments and export promotion fund of the Ministry of Economic Development of Azerbaijan, the official government website reported. Mejidov, who headed a delegation of Azerbaijani businessmen, said the group represented Azerbaijan's major businesses, who had great interest in furthering cooperation with their Turkmen counterparts. He expressed admiration for Ashgabat's white-marbled buildings and ongoing construction projects. The president said large-scale urban development was underway, as well as improvement of rural living and soil conditions.

The officials discussed opportunities to establish profitable projects in trade, industry, transport, agriculture, construction, fuel, and energy, as well as their wish to enhance humanitarian contacts, particularly in education.

### **e. Turkmenistan, Russia, and Kazakhstan Meet in Ashgabat to Plan Caspian Pipeline**

**Original Title:** Caspian Gas Pipeline: A Project of Regional Importance

**Source:** Official government website/06/18/08. Excerpt by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=1&id=080618e>

Excerpt: The first meeting of the Turkmen-Russian-Kazakh coordination committee was held in Ashgabat to promote a large-scale project, construction of the Caspian gas pipeline and modernization of the transnational gas transportation system. The participants of the meeting were the Turkmen State Concern of Turkmenistan, the Gazprom Public Corporation (Russia) and the KazMunayGaz Company (Kazakhstan).

[Passages omitted: on need to accelerate the project to develop energy cooperation and need to harmonize positions and draft an agreement for project implementation.]

This initiative to build an energy bridge between Europe and Asia was proposed by President Berdymukhamedov at tripartite talks last year, and could considerably increase the pipe capacity of the gas transportation system on the Caspian Sea coast. Stating their readiness to intensify partnership in the strategic gas sector, the leaders of the three countries signed a joint declaration on construction of the Caspian gas pipeline and a joint declaration on the development of gas transportation system in the Central Asian region that Uzbekistan joined as well.

[Passage omitted: on signing in Moscow in December 2007 of intergovernmental agreement incorporating engineering reports and research on the condition of compressor stations on the existing line.]

The new gas pipeline will be built along the eastern coast of the Caspian Sea. The length of the Turkmen section from Belek through Garabogaz to the Kazakh border is about 290 kilometers. The reconstruction of the existing pipeline and the construction of the new one will increase the pumping capacity to 20 billion cubic meters of gas.

The Caspian gas pipeline will thus provide Turkmenistan, Russia, Kazakhstan as the largest fuel exporters connected with the pipeline networks a wider access to the energy-hungry European market, as well as a powerful incentive to develop the oil and gas infrastructure of the Caspian region whose abundant deposits serve as a the chief argument in favor of the project now taking concrete shape.

[Passage omitted: on balance of national and regional interests and long-term cooperation.]

## **f. President Berdymukhamedov Receives Head of UN Preventive Diplomacy Centre**

**Original title:** *President of Turkmenistan Receives the Head of the UN Regional Centre for Preventive Diplomacy in Central Asia*

**Source:** Official government website/06/17/08. Excerpt by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=1&id=080617a>

Excerpt: President Gurbanguly Berdymukhamedov received Amb. Miroslav Jenca, head of the UN Regional Centre for Preventive Diplomacy in Central Asia.

[Passages omitted: greetings; Amb. Jenca's conveyance of best wishes from UN Secretary General Ban Ki-moon.]

President Berdymukhamedov noted that Turkmenistan regarded the placement of the first center of this kind in Ashgabat as a great honor and as an indication of the world community's confidence. The president said that Turkmenistan took its partnership with the United Nations and neighboring countries very seriously. Focusing on reforms and fundamental changes initiated in Turkmenistan, the Turkmen leader emphasized the importance of acting as a peacemaker to the country's national policy. President Berdymukhamedov briefed the guest on large-scale projects of regional and international importance initiated by Turkmenistan, based on its favorable geographical location and great resource and economic potential.

The Turkmen leader stressed that hydrocarbon-rich Turkmenistan was committed to diversifying the development of its domestic fuel and energy sector and exporting Turkmen energy resources to world markets. The president cited as an example the Turkmenistan-Afghanistan-Pakistan-India gas pipeline project that he said was of paramount importance to stability in the region.

Sharing this view, Amb. Jenca said that the United Nations highly appreciated Turkmenistan's contribution to reviving peace and development in neighboring Afghanistan. He noted the importance of the Turkmen leader's initiative to ensure security of the transnational pipeline system as critical for global energy security and an important component of economic growth for every country.

[Passage omitted: on UN Regional Centre's broad range of tasks including collective security and combatting drug trafficking and terrorism; on cooperation with other multilateral organizations.]

President Berdymukhamedov reaffirmed Turkmenistan's readiness to provide overall support to the UN Regional Centre in its activities to advance political dialogue, new approaches to preventing conflict, cooperative decision-making, political and legal mechanisms, and the universally recognized reputation of the United Nations.

[Passages omitted: on president's wishes for success; on presence of UN Resident Coordinator Richard Young at the meeting.]

## **g. Turkmenistan Participates in Paris Conference on Afghanistan**

**Original Title:** *Turkmenistan-Afghanistan: Cooperation for Peace, Security and Welfare of the Peoples*

**Source:** Official government website/State News Agency of Turkmenistan (TDH)/06/16/08. Synopsis by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=5&id=080616a>

**Synopsis:** On instructions from President Berdymukhamedov, a Turkmen delegation was sent to an international conference on Afghanistan in Paris on June 12 that was attended by foreign policy officials from some 70 countries.

Turkmenistan is participating in several projects to support regional security and Afghanistan's revival, such as the 1,680 kilometer-long Turkmenistan-Afghanistan-Pakistan-India gas pipeline. The route, 735 kilometers of which would cross Afghanistan, is intended to develop the Afghan economy, create 12,000 new jobs and lead to transit fees of US \$500 million for Afghanistan. Turkmenistan would provide personnel and technology and also collaborate on exploring Afghanistan's own oil and gas deposits in border regions.

In 2007, Turkmenistan wrote off Afghanistan's US \$4 million power debt and provided it with \$300,000 in free electricity; it now supplies electricity to the country at a reduced cost and plans to expand its network of power transmission lines, including a 410-kilometer line to the Turkmen-Afghan border. Turkmenistan also rebuilt a US \$500,000, two-kilometer section of the railway on the Turkmen-Afghan border.

Turkmenistan provided humanitarian aid to five provinces of Afghanistan during the unseasonably cold winter of 2007-2008, and offers air and ground corridors to organizations providing humanitarian aid to Afghanistan. Each year, Turkmenistan provides 30 scholarships for Afghans to study at its educational institutions.

## **h. Turkmenistan and the UN Discuss 2010-2014 Collaboration**

**Original title:** *Turkmenistan Government and the United Nations System Set Priority Areas for 2010-2014 Collaboration*

**Source:** United Nations Turkmenistan website/06/18/08. Excerpt by OSI Turkmenistan Project

**Full version:** [http://www.untuk.org/index.php?option=com\\_content&task=view&id=150&Itemid=1](http://www.untuk.org/index.php?option=com_content&task=view&id=150&Itemid=1)

**Excerpt:** Representatives of the UN system, national ministries and agencies, and public organizations have completed a second round of discussions to prepare a strategic program framework for the United Nations in Turkmenistan for 2010 to 2014. The document called the United Nations Development Assistance Framework, or UNDAF serves as a business plan for the government of Turkmenistan and the UN and aims at achieving the national development priorities and the Millennium Development Goals.

As Ms. Shirin Ahmedova, director of Turkmenistan's National Institute of Democracy and Human Rights, stated in the opening of the meeting, "Outcomes of the current UNDAF are compliant with national priorities and the interests of Turkmenistan set out in the National Strategy of economic, political, and cultural development through 2020. It is important for all of us in the country to use the expertise of the United Nations system in identifying the most effective path of Turkmenistan's development."

[Passage omitted: on UNDAF review meeting in May 2008 where priority areas were identified as strengthening of democratization and rule of law, more inclusive and sustainable growth, strengthened human development to achieve the Millennium Development Goals, and peace and security.]



The selected four priority areas cover the issues of human rights, local governance, information and communication technology, electoral reform, statistics, rural development, education, health, prevention of HIV/AIDS, social protection, economic growth, agriculture, environment, combating drug trafficking, border management, emergency preparedness, and regional peace and security.

"The United Nations can assist Turkmenistan in engaging domestic and international partners – local governments and communities, civil society, families, the business community, the media and academia alike in a rights-based approach that underpins the development agenda. Therefore, the United Nations can help Turkmenistan capitalize on unprecedented opportunities for democratization and development", said Mr. Richard Young, UN resident coordinator in Turkmenistan.

[Passage omitted: on planning by UN and Turkmen agencies for 2010-2014.]

## 2. DOMESTIC DEVELOPMENTS

### a. Turkmen Statistics Agency Says Gas Production Down

**Original title:** Turkmenistan's State Statistics Committee Notes Fall in Volume of Natural Gas Production

**Source:** [turkmenistan.ru/Turkmen State News Agency/06/16/08](http://turkmenistan.ru/Turkmen%20State%20News%20Agency/06/16/08). Translation and synopsis by OSI Turkmenistan Project.

**Full version:** [http://www.turkmenistan.ru/?page\\_id=3&lang\\_id=en&elem\\_id=12988&type=event&sort=date\\_desc](http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=12988&type=event&sort=date_desc)

**Synopsis:** Turkmen gas production was down in the beginning part of 2008 compared to the previous year, a government official told a meeting of the Cabinet of Ministers on June 13, [turkmenistan.ru](http://turkmenistan.ru) reported, citing the Turkmen States News Agency (TDH).

Kakamurad Mommadov of the State Statistics Committee of Turkmenistan reported that gas production had fallen by 7.4 percent in contrast with 2007, fertilizer production was reduced by 14.14 percent and iodide output was down by 10.4 percent. Cereal production had dropped 40 percent.

Cement production grew by 139.2 percent; electricity, by 113.3 percent; cotton by 115.5 percent, macaroni by 139.4 percent, and processed and canned fish products by 113.5 percent, according to the report.

Production of manufactured goods was up to a value of 74.9 trillion manats (US \$5.2 billion), 20.8 percent higher than 2007, while the Gross National Product (GNP) had reached 41 trillion manats, or grown 106.5 percent using today's currency. Investment in economic development increased to just under 10 trillion manats, 60.6 percent higher than in 2007.

Trade turnover for the first four months of 2008 was US \$5.5 million, up by 32 percent from last year. Exports for last year were US \$3.89 billion, a 37 percent increase; imports grew by 22 percent to \$1.6 billion; and the trade surplus rose more than 50 percent to US \$2.2 billion compared to last year.

### b. Turkmen Leader Honors Scientists on Science Day

**Original title:** Turkmen Scientists Support President's Initiative

**Source:** [gundogar.org/06/13/08](http://gundogar.org/06/13/08). Translation and synopsis by OSI Turkmenistan Project

**Full version:** <http://www.gundogar.org/?022500000000000000011062008060000#6265>

**Synopsis:** At a meeting of the Supreme Council for Science and Technology on June 12 to mark the newly established Science Day, President Berdymukhamedov urged scientists at the Makhtumkuli University to help develop Turkmenistan's main industries, [gundogar.org](http://gundogar.org) reported, citing the Turkmen State News Agency (TDH).

"Oil and gas, mineral resources, energy, non-traditional sources of energy, health, environmental protection, agriculture, economics and other areas of development are priorities today to which scientists must be devoting their attention, and the state will provide every kind of support for scientific research in these fields," the president said in a speech.

Akdzheren Allanurov read a resolution at the meeting from the Supreme Council on the awarding of academic degrees and titles to a number of scientists, and thanked the president and the state for advancing Turkmen science.

### **c. First Online Operation Successfully Performed in Turkmenistan**

**Original title:** *Telemedicine: Advanced Technologies in Service of Health*

**Source:** Official government website/Turkmen State News Agency (TDH)/06/13/08. Excerpt by OSI Turkmenistan Project

**Full version:** <http://www.turkmenistan.gov.tm/en/?idr=4&id=080613a>

Excerpt: Science Day, celebrated in Turkmenistan for the first time, was marked with a remarkable event. The Presidential Supreme Council for Science and Technology, with assistance of the Ministry of Health and Medical Industry of Turkmenistan, organized a video conference that vividly demonstrated the opportunities for telemedicine that have significantly contributed to the techniques of Turkmen health professionals.

[Passage omitted: background on training, diagnostics, long-distance emergency care, treatment, and prevention of diseases through remote medicine.]

The video conference was technically supported by Cisco Systems. The Envision Group, one of Russia's leading system integrators closely collaborating with the Russian Association of Telemedicine, delivered and installed the equipment. Sergei Mikhnevich, Director General for Cisco Systems for the CIS, said next-generation transmission equipment enabled the personification of medical services and substantially reduces costs. Telemedicine also enables the goals of modern health care to be met by rendering high-quality and affordable medical care. Turkmen medicine had made notable achievements in resolutely advancing towards progress. Mikhnevich stressed Cisco's interest and readiness to establish close and fruitful cooperation in this important and very promising field.

[Passage omitted: on Turkmenistan's determination to apply innovative technologies that enabled leading foreign specialists to assist in an operation online from thousands of miles away.]

The international consultants were a group of German doctors from Munich including Dr. Klaus Parhofer, head doctor of the Grossharden Medical Clinic of the Ludwig-Maximilian University, and Dr. Arthur Miller, a famous ophthalmologist. Both were online for several hours. Participating from Russia's largest telemedical center was Professor Khristo Takhchidi, General Director of the S. N. Fedorov Eye Microsurgery State Scientific and Technological Complex, who watched the operation being performed.

In the Turkmen capital, television monitors provided the ability to converse at a distance, linking the conference hall of the Ministry of Health and Medical Industry, the Presidential Supreme Council for Science and Technology, and the operating room and the assembly hall of the S. Karanov Eye Diseases Research and Clinic Center. Specialists of the Research and Clinic Center, students and teaching staff of the Turkmen State Medical Institute, were present at the conference. From the assembly hall of the S. Karanov Center, Prof. Kurban Karanov communicated with the participants of the TV bridge, discussing the diagnosis and surgical methods and commented on the operation, as it was performed by Klychnepes Annanepesov, Director of the Eye Diseases Research and Clinic Center. The patient, a 55-year-old woman, underwent a cataract operation with the implantation of an intraocular lens without sutures.

[Passages omitted: on congratulations of scientists and breakthrough for Turkmen medicine.]

*Unless otherwise indicated, all translations have been prepared by OSI's Turkmenistan Project.*

#### About the Turkmenistan Project

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